Northern Pipeline Agency Canada

2012-13

Report on Plans and Priorities

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Minister of Natural Resources

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Commissioner's Message

It is my pleasure to present the *2012-13 Report on Plans and Priorities* for the Northern Pipeline Agency (Agency).

The Agency was established by the *Northern Pipeline Act* (the Act) in 1978 to facilitate the planning and construction by Foothills Pipe Lines Limited (Foothills) of the Canadian portion of the Alaska Highway Gas Pipeline (AHGP) project and to maximize social and economic benefits from its construction and operation while minimizing any adverse effects. The pipeline, also referred to as the Alaska Natural Gas Transportation System (ANGTS), was certificated in 1978 under the Act to transport Alaskan and possibly northern Canadian natural gas to southern markets in Canada and the United States (U.S.), as foreseen by the *Canada-U.S. Agreement on Principles Applicable to a Northern Natural Gas Pipeline* (the Agreement).

The southern portion of the pipeline was constructed in the early 1980s and presently transports Canadian gas sourced from south of the 60th parallel. Unfavourable economic conditions led to delays in the completion of the northern portion of the pipeline. In 2008, TransCanada PipeLines Ltd. (TCPL), which now owns Foothills, was granted a license by the State of Alaska to pursue the development of Stage Two (the northern section) of the pipeline and partnered with ExxonMobil in 2009 to form the Alaska Pipeline Project (APP). On March 30, 2012, ExxonMobil, ConocoPhillips, BP and TransCanada announced that they are working together on a work plan to assess liquefied natural gas exports from south-central Alaska as an alternative to a natural gas pipeline through Canada. For its part, the Agency remains ready, engaged and prepared to lead the review of the AHGP. As we understand that the APP is continuing to develop the technical and commercial aspects of the AHGP, the Agency will continue to work together with the APP, other federal agencies, provincial and territorial governments, Aboriginal organizations, and the public to meet the objectives of the Act and the Agreement.

Serge P. Dupont
Commissioner

Section I: Organizational Overview

Raison d'être

The Northern Pipeline Agency was created by the *Northern Pipeline Act* in 1978 to carry out Canada's responsibilities in respect of the planning and construction by Foothills of the Canadian portion of ANGTS. Also referred to as the Alaska Highway Gas Pipeline (AHGP) project, the project is the subject of the 1977 *Agreement between Canada and the United States of America on Principles Applicable to a Northern Natural Gas Pipeline*.

The first stage of the Project (the Pre-build) was constructed in the early 1980s for the initial purpose of transporting gas sourced from Western Canada to the U.S. The current flow capacity of the Prebuild is approximately 3.3 billion cubic feet (bcf) per day.

Unfavourable economic conditions from the mid-1980s to the beginning of the last decade led to indefinite delays in the completion of the ANGTS and a prolonged period of low activity for the Agency. In 2008, TransCanada Alaska PipeLines was selected by the State of Alaska under the *Alaska Gasline Inducement Act* to receive up to $500 million (M) in State assistance to pursue an Alaska gas pipeline. The large-scale project would transport 4.5-5.9 bcf per day of natural gas in a buried 48-inch, high-pressure pipeline from Prudhoe Bay to markets in Canada and the lower 48 states. Project costs have been estimated at US $32-41 billion (B) by TCPL.

Stage Two of the Project in Canada would comprise approximately 1,555 km of pipeline from the Yukon-Alaska border near Beaver Creek to the B.C.-Alberta border near Boundary Lake, as defined by the certificates of public convenience and necessity (CPCNs) granted under the Act. Additional pipeline construction in Alberta (Stage Three) may also be required.

TCPL is continuing to develop the technical and commercial aspects of the AHGP project, with a view to making an initial regulatory filing in October 2012. TCPL has been conducting field studies along the pipeline right-of-way in Yukon and northeastern B.C. to update the environmental information gathered through a federal environmental assessment and review process in the 1970s and early 1980s. Accordingly, the Agency has been preparing to facilitate a public review process for the review of environmental and socio-economic information. Should the project continue, during the period of this report, the Agency will be establishing two review bodies (Advisory Councils) and serving as the lead on Crown consultations with affected Aboriginal peoples. The Agency will continue to increase its capacity to carry out the required work under the Act.

Responsibilities

Under the Act, the Agency can be called upon to undertake a number of activities:

- Facilitate the efficient and expeditious planning and construction of the pipeline, taking into account local and regional interests, the interests of the residents, particularly of the native people, and recognizing the responsibilities of the Government of Canada and other governments, as appropriate, to ensure that any native claim related to the land on which the pipeline is to be situated is dealt with in a just and equitable manner;
- Facilitate, in relation to the pipeline, consultation and coordination with the governments of the provinces, the Yukon Territory, and the Northwest Territories;
- Maximize the social and economic benefits from the construction and operation of the pipeline while at the same time minimizing any adverse effect on the social and environmental conditions of the areas most directly affected by the pipeline;
- Advance national economic and energy interests and maximize related industrial benefits.

Strategic Outcome(s) and Program Activity Architecture (PAA)

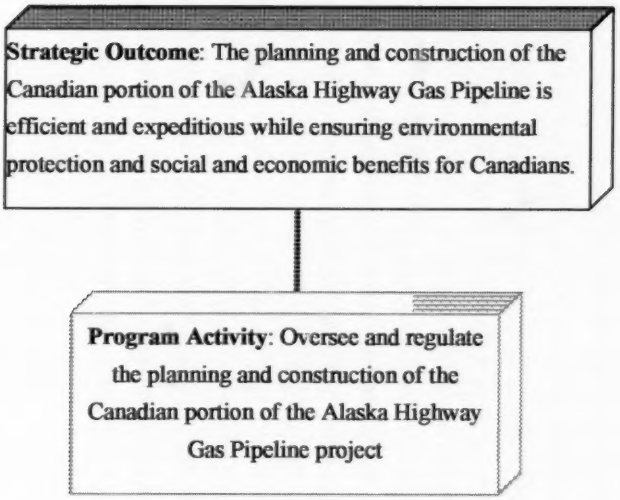
The Agency has a single strategic outcome and a single program activity. Both are aligned with the Government of Canada's Strong Economic Growth outcome as per the Whole-of-Government Framework.

Agency Strategic Outcome

The planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.

Agency Program Activity

Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project.


Strategic Outcome: The planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.
Program Activity: Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline project

Organizational Priorities

Priority	Type[1]	Strategic Outcome(s) and/or Program Activity(ies)
Effectively administer the Act and establish the framework to respond to all aspects of the pipeline project	Ongoing	Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline project

Description

Why is this a priority?

The Agency is mandated to meet the objectives of the Act and the Canada-U.S. Agreement, which include both efficient and effective regulation of the project and protection of the environment as well as maximization of benefits to Canada.

Plans for meeting the priority

Continue to work with federal, provincial and territorial governments, other federal departments and agencies

[1] Type is defined as follows: **previously committed to**—committed to in the first or second fiscal year prior to the subject year of the report; **ongoing**—committed to at least three fiscal years prior to the subject year of the report; and **new**—newly committed to in the reporting year of the RPP or DPR.

Priority	Type	Strategic Outcome(s) and/or Program Activity(ies)
Implement a modern environmental and regulatory review framework	Ongoing	Facilitate the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline project

Description

Why is this a priority?

To ensure that the pipeline is planned and built according to modern environmental and regulatory standards

Plans for meeting the priority

The Agency will oversee and coordinate the overlapping stages of the regulatory process, including the public review of environmental and socio-economic information and the regulatory phase.

The NPA is consulting with Aboriginal communities on the implementation of an environmental assessment strategy under the Act. Upon completion of consultations, the Agency will seek the requisite approvals of recommendations for the Advisory Councils (i.e. terms of reference, membership).

Priority	Type	Strategic Outcome(s) and/or Program Activity(ies)
Implement an outreach plan that takes into accounts the interests of all stakeholders, and communities, along the pipeline route	Ongoing	Facilitate the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline project

Description

Why is this a priority?

The NPA is increasing awareness of the Agency and its operational status in relation to the Project.

Plans for meeting the priority

The Agency will continue to carry out communications activities attuned to AHGP timelines and milestones.

Priority	Type	Strategic Outcome(s) and/or Program Activity(ies)
Implement Aboriginal consultation plans related to the planning and construction of the project	Ongoing	Facilitate the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline project

Description

Why is this a priority?

To meet obligations in regards to Aboriginal consultation

Plans for meeting the priority

The Agency will continue to engage, consult with, and, where necessary, accommodate in relation to the pipeline.

Risk Analysis

The Agency is faced with uncertainties associated with planning for a single large-scale international pipeline project. The Agency identifies and responds to these uncertainties by continuous corporate-level forecasting, tracking, and management of issues that could affect or require a response from the Agency. For fiscal year 2012-13, the Agency will be in a position to ramp up activities and human resource levels in anticipation of Stage Two of the Project in Canada. The Agency will proceed in a compressed time frame and will work to minimize uncertainties posed by environmental and socio-economic considerations that have transpired since the Act came into force. Failure to make timely preparations could jeopardize the Government of Canada's performance of its responsibilities under the Agreement and the Act.

Planning Summary

Financial Resources ($000s)

2012–13	2013–14	2014–15
3,225.3	3,125.3	1,925.3

Human Resources (Full-Time Equivalent—FTE)

2012–13	2013–14	2014–15
11	11	11

Strategic Outcome: The planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline project is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.

Performance Indicators	Targets
The Agency effectively plans for and responds to regulatory filings by Foothills and makes certain that the Act is properly administered	Timely responses with consideration to the overall Project plans and schedules, continuing operations as mandated, and readiness to respond to increasing levels of project activity.
The Agency continues to address regulatory certainty by implementing a framework within a timeline that corresponds with industry decisions on the project.	A regulatory framework that accommodates modern environmental practices and the interests of territorial and provincial governments, First Nations, and other residents along the pipeline route.
The Agency maintains an adequate level of staff to allow the Agency to refine its plans and state of readiness to respond and to enhance its engagements with other participants that would be involved in the planning and construction of this phase of the pipeline.	Adequate resources and capacity.

Planning Summary Table ($000s)

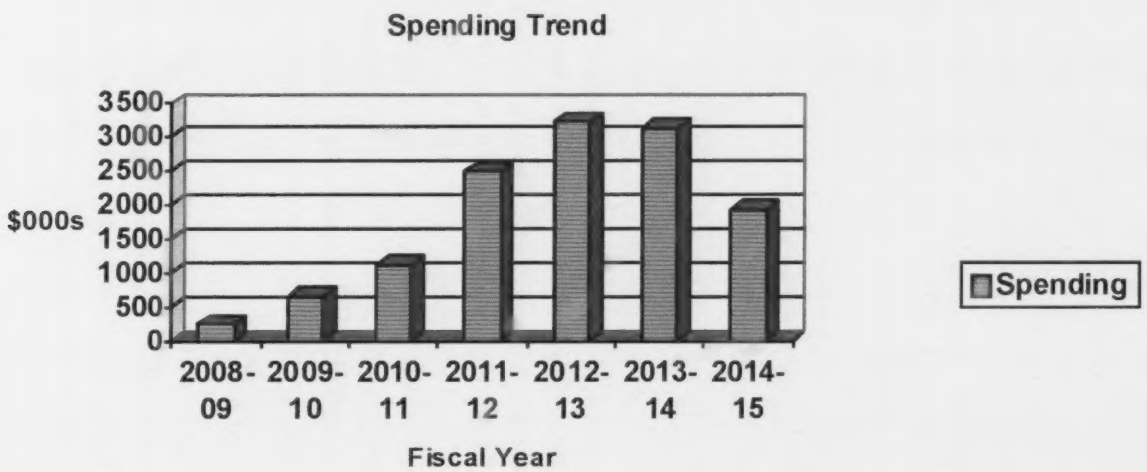
Program Activity	Forecast Spending 2011–12	Planned Spending			Alignment to Government of Canada Outcomes
		2012–13	2013–14	2014–15	
Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline	2,494.8	3,225.3	3,125.3	1,925.3	This activity is linked to the Government of Canada's Strong Economic Growth outcome.
Total Planned Spending		3,225.3	3,125.3	1,925.3	

Expenditure Profile

Departmental Spending Trend

The graph below illustrates the general spending trend since the 2008-09 fiscal year and the forecast spending for 2012-13 and beyond. The increase from 2008 to 2010 depicted in the graph is attributable to the increase in Agency activities as required by the revival of Stage Two of the Alaska Highway Gas Pipeline project in Canada. The increase from 2010-11 to 2011-12 and following years is related to funding for Aboriginal consultations.

Changes in the project proponent's plans and activities could lead to material differences between planned and actual spending in future.



Estimates by Vote

For information on our organizational appropriations, please see the 2012–13 Main Estimates publication.

Section II: Analysis of Program Activities by Strategic Outcome(s)

Strategic Outcome

The planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline project is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.

Program Activity

Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline project.

Program Activity Descriptions

Oversee the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline project.

Financial Resources ($000s)

2012–13	2013–14	2014–15
3,225.3	3,125.3	1,925.3

Human Resources (Full-Time Equivalent—FTE)

2012–13	2013–14	2014–15
11	11	11

Program Activity	Performance Indicators	Targets
Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline In concert with other federal government departments, the Agency will have a regulatory framework which accommodates modern environmental practices, takes into account the rights of Aboriginal people, and considers the interest of provincial-territorial governments, so as to remain prepared to effectively regulate and facilitate the planning and construction of the Foothills pipeline	The Agency effectively plans for and responds to regulatory filings and makes certain that the Act is properly administered.	Timely responses with consideration to the overall project schedule and developments in project activity.
	The Agency continues to address regulatory certainty by establishing a framework within a timeframe that corresponds with industry decisions on the project	NPA is in a state of preparedness to continue facilitating the planning and construction of the AHGP.
	The Agency increases public awareness of its work, its status and its operations with regard to the project.	Plans and tools that support enhanced communication and outreach.
	The Agency effectively carries out Crown consultation with Aboriginal people.	Responsibilities related to Aboriginal consultations continue to be met.

Planning Highlights

The Agency will continue to prepare for Stage Two of the Project in Canada. Since the Act came into force, the external environment relevant to environmental and public considerations has changed. Some of the changes include new environmental legislation, and in the Yukon, devolution of some federal responsibilities and the settlement of most Aboriginal land claims along the pipeline route.

The Agency will advance regulatory processes which fully meet modern environmental and socio-economic standards and respect the rights of Aboriginal peoples. These processes will take into account the rights granted to Foothills under the Act, including the certificates and the Yukon easement. To carry out these responsibilities, the Agency will continue to work closely with relevant federal departments and agencies. It will also coordinate with other governments, Aboriginal communities, the U.S. and TCPL. Finally, the Agency will assess the adequacy of its technical, legal, administrative, and policy capacity that will help the agency to carry out planning and regulatory work as project activity increases.

Section III: Supplementary Information

Financial Highlights

Future-Oriented
Condensed Statement of Operations
For the Year (ended March 31)
($ 000s)

	$ Change	Future-Oriented 2012-13	Future-Oriented 2011-12
Total Expenses	1,842.7	3,229.9	1,387.2
Total Revenues	1,842.7	3,229.9	1,387.2
Net Cost of Operations	8.4	66.9	58.5

Condensed Statement of Financial Position
For the Year (ended March 31)
($ 000s)

	$ Change	Future-Oriented 2012-13	Future-Oriented 2011-12
Total assets	N/A	1,262.5	N/A
Total liabilities	N/A	1,262.5	N/A
Equity	N/A	0	N/A
Total	N/A	1,262.5	N/A

Future-Oriented Financial Statements

A link to the full future-oriented financial statements can be found at www.npa.gc.ca.

Section IV: Other Items of Interest

Organizational Information

The Agency has been designated as a department for the purposes of the *Financial Administration Act*. The Agency currently reports to Parliament through the Minister of Natural Resources Canada, who is responsible for the management and direction of the Agency. The Agency has one senior officer, a Commissioner appointed by the Governor in Council. The Commissioner is currently the Deputy Minister of Natural Resources Canada. The Agency's organizational structure is defined by the Act. The Commissioner is supported by an Assistant Commissioner.

Legislation Administered by the Agency

The Minister has sole responsibility to Parliament for the following Act:

Northern Pipeline Act (R.S.C., 1977-78, c.20, s.1)

The Minister shares responsibilities to Parliament for the following regulations:

National Energy Board Cost Recovery Regulations (SOR/91-7, Canada Gazette Part II, p. 15)